Xia Jiasheng – CEO, Guangdong Medical Valley

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First set up in 2014, the Guangdong Medical Valley is an investment incubation platform in southern China focusing on the biomedical and medical device industries. CEO Xia Jiasheng explains how the decision to set up the cluster came about, how it differs from the wealth of other science parks in Greater China, and its current national and international collaboration efforts.

What is your background and how did the decision to form the Guangdong Medical Valley (GDMV) come about?

I come from Fujian province and gained my first master's degree from South China University of Technology in Guangzhou with a major in materials. Afterwards, I completed my MBA at Sun Yat Sen University in 2009. I entered this group in 2011 and worked in the investment side of the company where we invested into many start-ups and matched these young companies with a service platform, helping them solve problems they were facing in areas such as financial capital, human resources, and managing government policies.

This investment group focused on incubating technology in many sectors, and so in 2014, myself and a group of private investors founded Guangdong Medical Valley, a site focused on the incubation of purely biotechnology and medical companies. We bought the land in Nansha, started construction in November 2016, and it was completed in October 2018.

How did you go about developing the business model for the park?

In the beginning, it was a challenge as we only had a concept. For one year I travelled around viewing and researching other parks in China and I obtained the knowledge required to design the park here. This is why we founded the company in 2014 but only began construction in 2016. Furthermore, the site is quite large at around 180,000 m2, so the government had to evaluate the business model and give validation to construct and operate the site. It was also difficult at the start as before we began construction, we were already providing services to companies.

You mentioned you went to other business parks in China to gain expertise; was it daunting to build yet another park in China, given their already abundant number?

No, it was not, because we were very confident in ourselves and were putting in place a completely new business model. This is a science park that is service-based, rather than hardware-based. Most sites provide office and manufacturing facilities, while we provided those aforementioned services and more.

Southern China is emergent in the medical field and is not as well-known as other hubs. Why did you choose to focus on biotechnology?

Biotechnology is not an easy sector to be in, but we know that if we are successful then we will have a clear pathway towards being the main supplier of biotechnology incubation in the region.

Are there enough companies to participate in the park?

For sure. Now we have over 300 companies in only seven years and have been growing at around 20 percent year on year. We are excited for the future.

You have your own investment fund. How do you go about choosing on which companies to focus your capital?

We have invested in several companies and chosen them based on certain requirements. Many companies in the park already have funding from outside sources. That is fine with us, and we are happy to still provide the services for incubation. If we want to invest in a company, they have the right to accept or decline the offer and it does not change anything on our end in terms of how we assist them in their journey.

There are over 100 VC funds in Southern China, so there is plenty of opportunity for these young companies, and we have participated in co-funding. Furthermore, we have an investment committee in the park that has a primary focus on attracting capital.

What interactions do you have with the broader community to build on your service offering?

Firstly, we have scholarships with the local universities to help recruit employees and find potential start-ups.

Secondly, we collaborate with companies from the park to help them grow and build our competencies. For example, one particular company shares their laboratories with the entire industry park, providing this physical site that we cannot.

Thirdly, we have signed contracts with platforms outside the area, so if a company is working with us here at the GDVA, they can then be provided with this service at a low cost.

You mentioned you like to visit many overseas sites. What has been your experience in terms of selling your services to potential overseas partners?

I went to the UK in 2017 and to Sydney and Melbourne in Australia recently. I educated them on the strength of the Greater Bay Area (GBA) economy as the most affluent region in China and promoted the park as a place to position biotechnology start-ups.

We must be patient and with time our message will grow. For many foreign companies, the concerns are based on the protection of intellectual property (IP), but they should not be. If companies go through the correct channels of Chinese law to protect their IP, they will not have any problems. Nowadays, there are third-party service providers that can guide them through this process and make it simple and easy.

There is a blueprint to connect Hong Kong even more with GBA. How mature is this project today?

I have been in the region for over 24 years, and we have always had a strong connection with Hong Kong and Macau, it being very easy to travel there and obtain a visa. Saying that, each economy is different and there are different regulations, so that would be a hurdle to overcome if more integration is desired.

For example, the certification of medicines and medical devices is different, and so products can be available in Hong Kong and if the same patient comes to GBA they will not get it. The central Chinese government understands they need to grow the GBA, and we know that each region has its own strength and can leverage this for the overall development of the economy and region.

In Hong Kong there has been a rise in biomedical companies. Are you looking to attract them there?

Yes, we are. Hong Kong is a small market, so it would be an advantage for them to work in mainland China. Also, there is no registration agency like the Chinese NMPA in Hong Kong, so research completed in Hong Kong must then go to mainland China, Europe or the US for it to be approved, which creates a longer pathway from R&D to market.

Another important point is that there are many VC funds in this region, and they are a lot more willing to invest in biotechnology than in the past. These two points are just some reasons it would be a good time for Hong Kong companies to move to mainland China for their operations.

The next step after a company has been incubated successfully is bringing products to market. Are you assisting in commercialisation?

We are building a service platform for the entire life cycle of these companies. The initial stages are about finding the capital they require to grow and start their business and conduct research.

The second stage is obtaining certification through the Chinese NMPA and we help them deal with hospital and research centres for R&D as well as connecting them with the NMPA to have any questions handled.

The third and final stage is the most important, selling the product. We connect them with relevant companies in the supply chain, even bridging the gaps for raw material purchase and end sales points.

For the GDMV to be around in the long term it will need to eventually generate profits. How sustainable is your business model?

We think about this every day. One benefit is that we own the land, so the overheads are a lot less. Secondly, because we are providing all these services, we can charge a bit more for the rent for the companies using our facilities. Thirdly, we are investing in companies and because we work closely with them, we know them a lot better than indirect VC funds. This lowers the risk and increases the chances of successful returns on investment.

What lies ahead for the GDMV?

We already have five sites across the group, with two more currently under construction and which increase the overall footprint by one million m2, a huge amount to supplement our growth. Obviously, with these types of investments, we aim to grow bigger and more quickly.

Is public listing a possibility?

I think in the end we will go in this direction, but this depends on the market situation and how it complements our business. If going public inhibits our ability to provide services at a high level of efficiency to our companies, then we will delay our public listing. Going public can put extra restrictions on how we do things, and we do not want this to be the case if it impacts our end

product.

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